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BY E-MAIL

January 13, 2020

Christine E. Long
Registrar & Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long:

**Re: EPCOR Natural Gas Limited Partnership Motion to Review and Vary Phase
2 Decision and Order in EB-2018-0336
OEB File Number: EB-2019-0276**

In accordance with Procedural Order No. 1 dated December 17, 2019, please find attached Ontario Energy Board staff interrogatories on the motion materials filed by EPCOR Natural Gas.

Yours truly,

Original Signed By

Khalil Viraney
Case Manager

Encl.

ONTARIO ENERGY BOARD STAFF INTERROGATORIES**January 13, 2020****Staff.1****Ref: Brian Lippold Affidavit, p. 4, paras 12 and 13**

The affidavit notes that during exceptionally cold conditions, the system required constant monitoring due to low pressure. In 2014, the control stations lacked an alarm mechanism with the exception of one dedicated 6-inch high pressure steel line. In order to monitor system pressure, the operations manager recommended pressure adjustments based on readings that were manually collected by calling into the various control stations. These circumstances required NRG's operations manager to routinely work very long hours in order to monitor system pressures and to dispatch technicians to adjust pressures and pack the system so that customers would have uninterrupted access to heat and hot water. The dispatch technicians would often have to attend control stations alone in the dark and at temperatures below -20 degrees Celsius.

- a) Please indicate the number of days in 2014, 2015 and 2016 that the dispatch technicians had to physically attend control stations due to low system pressure in the Northeast area of the franchise around Brownsville.
- b) Did NRG consider technical solutions such as sensors or alarm installation to remotely collect pressure data for specific parts of the system.
- c) For the 2018-2019 winter season, did operations personnel work long hours to monitor system pressure or did technicians have to physically adjust pressure and pack the system in order to maintain system pressure? If yes, please provide details.

Staff.2**Ref: Brian Lippold Affidavit, pp. 4-5, para 18**

The evidence of EPCOR Natural Gas and the affidavit of Mr. Lippold indicates that Natural Resource Gas Limited (NRG, the predecessor utility to EPCOR Natural Gas) experienced low system pressure in several areas of its franchise. Low system pressure issues were specifically noted in the Northeast and Southwest areas of the franchise. The concerns were further augmented in the fall of 2014 when due to severe weather NRG experienced system pressure drops in the Northeast area near Brownsville, to as low as 5 psi.

- a) Please clarify if the pressure drop to 5 psi. in the Northeast area near Brownsville was a one-day event or stretched for multiple days during the cold spell of 2014.
- b) How many customers were at risk of losing service?

Staff.3**Ref: Brian Lippold Affidavit, p. 10**

The SNC-Lavalin study in its draft report of March 2016, recommended projects to address pressure issues experienced in the northeast and southwest of the system. However, these recommendations did not take into account the additional gas supply from Union Gas Limited (now Enbridge Gas Inc.) at the Bradley Station. The affidavit indicates that NRG did not ask SNC-Lavalin to revise its study based on the additional gas supply from Union Gas because: (a) the time required to complete a new analysis and revise the study would likely result in significant delays, and (b) the time required to complete a new analysis and revise the study would likely result in significant delays to the resolution of inadequate flows that needed to be urgently addressed.

- a) Did NRG inform SNC-Lavalin of the changed circumstances and seek their opinion on the scope, cost and timing for conducting a new analysis and revising the study? If no, why not?
- b) Did NRG seek an opinion from SNC-Lavalin for only the Putnam to Culloden pipeline rather than revising the entire study? If no, why not?
- c) Did NRG inform the Ontario Energy Board (OEB) that the results of the SNC-Lavalin study may not be valid as new supplies have altered the flows and pressures within the distribution system? Did the SNC-Lavalin study include any disclaimers around the changed circumstances and how additional supplies may have altered the results of the study?

Staff.4**Ref: Brian Lippold Affidavit, p. 12, para 39**

The affidavit indicates that based on the result of the take-off analysis, NRG concluded that improving flows in the Northeast of the system from the Bradley Station would require a steel pipeline, triggering a leave to construct application. As an alternative,

NRG elected to supply the Northeast franchise area with additional gas flows by way of a plastic pipeline fed locally from the Putnam Station.

- a) Please confirm that NRG considered only those options to address system pressure issues in the Northeast that did not require filing a leave to construct application with the OEB.
- b) Please list the benefits and disadvantages of a steel pipeline to improve flows in the Northeast of the system from the Bradley Station.
- c) Please indicate if NRG excluded the most effective option to address system pressure issues in the Northeast area of the franchise because it required filing a leave to construct application with the OEB.

Staff.5

Ref: Brian Lippold Affidavit, pp. 12-13, para 41(c)

The evidence states that after careful consideration, NRG determined a number of measures to manage the new gas supply from the Bradley Station. One of these measures included the Putnam to Culloden pipeline, which was a pipeline independent from the other projects and increased gas pressures in the Northeast quadrant while also protecting the pull of gas away from the Northeast quadrant by tying into the local Putnam Station.

- a) Please explain the following in the above sentence, “and increased gas pressures in the Northeast quadrant while also protecting the pull of gas away from the Northeast quadrant by tying into the local Putnam Station.”

Staff.6

Ref: Brian Lippold Affidavit, p. 13, para 43

The evidence states that in order to achieve its intended effect, the Putnam to Culloden pipeline did not require additional volumes or pressure at Putnam Station (which would have required costly upstream reinforcements). The Putnam to Culloden pipeline increased pressures in the Northeast quadrant near Brownsville because it had the effect of connecting the Putnam Station directly to the Northeast and thereby diverted gas volumes to crucial areas.

- a) Please provide a more detailed or better explanation of the above noted paragraph.
- b) Please explain how the pipeline diverted gas volumes and where were these gas volumes diverted from? Were the gas volumes from the new gas supply at the Bradley Station?

Staff.7

Ref: Brian Lippold Affidavit, p. 13, para 45

The evidence notes that the Putnam to Culloden pipeline was a priority project since it alleviated the dangerously low pressures documented in the Northeast quadrant near Brownsville. In fact, NRG determined that the Putnam to Culloden pipeline was the most important of the four system integrity projects.

- a) Please explain how NRG determined that the Putnam to Culloden pipeline was the most important of the four system integrity projects.
- b) Please explain why the Bradley Station project which was primarily responsible for receiving the new gas supply from Union Gas was not as or more important than the Putnam to Culloden pipeline project.
- c) The SNC-Lavalin study did not examine the Putnam to Culloden pipeline. Why did SNC-Lavalin not examine the proposed pipeline from Putnam Station to the Culloden Line?
- d) Did NRG develop a scoring matrix that evaluated different factors such as cost, benefits, number of customers at risk of losing service and system pressure to prioritize system integrity projects? If yes, please provide the results of the scoring matrix. If no, please explain why a systematic quantifiable approach was not used to prioritize system integrity projects.
- e) Did NRG exclude the volumes from the locally sourced premium priced gas and establish a priority list of system integrity projects?
- f) If NRG had excluded the volumes available from the locally sourced premium priced gas, how would the prioritization of system integrity projects be impacted in terms of system pressure and number of customers at risk of losing service?

Staff.8**Ref: Brian Lippold Affidavit, p. 15, para 54**

For the Putnam to Culloden pipeline, the evidence notes that a good utility practice is to loop a line in order to ensure continuity of service in the event of a line break or leak. The Putnam to Culloden pipeline achieves this and improves system reliability through a two-way feed. This two-way feed pipeline allows additional gas to be put into the system and it also ensures that, in the event of a break or leak along this stretch of main, the flow of gas can be isolated at the leak and customers can be back-fed from the other direction, thereby minimizing impact to customers.

- a) Please identify other areas of the EPCOR Natural Gas distribution system where the supply is through a two-way feed to ensure continuity of service in the event of a line break or leak.
- b) The evidence notes that there are approximately 69 existing residential and commercial customers that are receiving service through the Putnam to Culloden pipeline. Why is a two-way feed important to serve only 69 of the 8,000 EPCOR Natural Gas customers?

Staff.9**Ref: Brian Lippold Affidavit, p. 15, para 55**

The evidence states that there are approximately 69 existing residential and commercial customers that are receiving services through the Putnam to Culloden pipeline. The line has the potential to connect approximately 250 future residential rate class customers in the South-West Oxford area.

Please explain why the Putnam to Culloden pipeline was classified as a system integrity project and not as a distribution growth project.

Staff.10**Ref: Brian Lippold Affidavit, p. 17, para 61**

The affidavit states that the quantity of gas supplied by NRG Corp. represents under 2% of the total gas usage for the entire system.

- a) Please provide the volume breakdown for 2015, 2016 and 2017 to substantiate the claim that the quantity of gas supplied by NRG Corp. represents under 2% of the total gas usage for the entire system.

Staff.11

Ref: Brian Lippold Affidavit, p. 17, paras 62-63

The evidence notes that NRG was mindful of the issue of premium priced local gas raised by the OEB in the 2011 rates proceeding where the OEB expressed concern of NRG Corp.'s market power and the incremental cost to ratepayers for such premium gas. The evidence further notes that NRG took a number of concrete steps including the possibility of obtaining additional supplies from Union Gas Limited, possibility of trucking in compressed natural gas and obtaining additional well gas from areas outside of the system.

- a) Please confirm if NRG issued any RFQs or RFPs for obtaining additional supplies within the franchise area during the years 2012 to 2017. If no, why not?
- b) Did any gas producer approach NRG or communicated with NRG (via letter, phone call, e-mail or fax) offering to sell natural gas to NRG during the period 2011 to 2017? If yes, please provide additional details and the outcome of the meeting or negotiations. Also, please provide all evidence related to the communications between the prospective seller/s and NRG (e-mails, faxes and/or letters). If there was a phone call, please provide details of the call.
- c) Did NRG attempt to remove or reduce the premium for the locally sourced gas by discussing the matter or renegotiating with NRG Corp.? If yes, please provide details and the outcome of the negotiations. If no, why not?
- d) Please explain why NRG in its 2016 rates application (EB-2016-0236) requested recovery of 1.5 million cubic metres of natural gas purchased from NRG Corp. at a premium price in volumes that was 50% higher than that approved by the OEB in EB-2010-0018.
- e) Please provide all communications between NRG and NRG Corp. related to the purchase of the premium priced gas for the period 2012 to 2017.
- f) Did NRG explore the possibility of extending the Springwater pipeline into the southeast area of the distribution system where local gas was required? Please describe all options that were considered for the Springwater pipeline.
- g) What would have been the estimated cost of extending the Springwater pipeline into the southeast area of the distribution system where locally produced premium priced gas is required?

- h) In the OEB's Phase 2 Decision and Order (EB-2010-0018) dated May 17, 2012, the OEB on page 8 noted, "The issue before the Board is not so much the fact that it is inappropriate to purchase gas from a related company but rather that the pricing mechanism being sought by NRG seems to demonstrate that NRG Corp. exercises market power within the utility's franchise area....The Board is concerned that NRG's customers would pay significantly higher than market rates for what could be a material portion of their gas supply."
- Please provide evidence in NRG's rates application (EB-2016-0236) wherein NRG made attempts to address the OEB's concerns and provide all capital projects undertaken by NRG to address the concerns and reduce the market power exercised by the former NRG Corp. through the pricing of locally produced gas.
- a) Did NRG establish a link between the system integrity projects that it proposed to implement in its 2016 rates application and the purchase of system integrity gas from NRG Corp.? If no, why not?
- b) Please explain how NRG prioritized capital projects to address system integrity in light of the OEB's Phase 2 Decision and Order in EB-2010-0018.